

NSW INDEPENDENT TRIAL EXAMS – 2006
ECONOMIC - HSC TRIAL
MARKING GUIDELINES

Section I

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
D	D	D	B	C	C	D	A	C	B	B	C	B	A	C	B	C	B	C	B

Section II

Question 21(a) *Outcomes assessed: H1, H4*

Criteria	Marks
▪ Sketches in general terms TWO advantages of free trade.	2
▪ Sketches in general terms ONE advantage of free trade OR identifies two advantages.	1

Answers could include:

- Higher living standards,
- Economies of scale,
- Efficient allocation of resources.

Question 21(b) *Outcome assessed: H1*

Criteria	Marks
▪ Provides characteristics and features of ONE free trade agreement.	2
▪ Provides limited characteristics and features OR identifies ONE free trade agreement.	1

Answers could include:

Australia – USA trade agreement,

- Greater market access for Australian business;
- Australia's annual GDP could increase by \$6 billion;
- Exports are estimated to grow by more than \$3 million.

Question 21(c) *Outcomes assessed: H1, H2*

Criteria	Marks
▪ Sketches in general terms TWO roles of the WTO	2
▪ Sketches in general terms TWO roles of the WTO OR identifies two roles.	1

Answers could include:

- Promote global trade agreements
- Transparency of trade agreements
- Resolving trade disputes between countries
- Non discrimination in trade

Question 21(d) *Outcome assessed: H7*

Criteria	Marks
▪ Identifies components and the relationship between a reduction in protection levels and the impact on firms and individuals.	3 – 4
▪ Makes limited reference to the impact which lower levels of protection have on firms and individuals	1 – 2

Answers could include:

- Firms:
 - Lower tariffs mean lower input costs for some firms;
 - Has contributed to broadening Australia's export base.
- Individuals:
 - Increase in unemployment in industries undergoing restructure;
 - Increase in the variety of goods available at lower prices.

Question 22(a) Outcome assessed: H1

Criteria	Marks
▪ Defines labour market reform correctly as government policies designed to increase the efficiency and flexibility of the allocation of labour resources in the economy.	1

Question 22(b) Outcomes assessed: H1, H8

Criteria	Marks
▪ Explains correctly that Australian Workplace Agreements (AWAs) are individually signed and negotiated between an employee and an employer and lodged with the Employment Advocate, whereas Certified Agreements are collectively negotiated by unions with an employer and certified by the AIRC.	2
▪ Distinguishes between an AWA and a Certified Agreement but does not provide a detailed explanation.	1

Question 22(c) Outcomes assessed: H1, H8

Criteria	Marks
▪ Explains that the No Disadvantage Test is applied by the AIRC to Certified Agreements to ensure that employees are no worse off compared to an underpinning award or agreement. The No Disadvantage Test has been replaced by the Australian Fair Pay and Conditions Standard under the <i>Workplace Relations (Work Choices) Amendment Act 2005</i> .	2
▪ Describes the No Disadvantage Test without explaining how it was applied to enterprise agreements by the AIRC.	1

Question 22(d) Outcomes assessed: H1, H7

Criteria	Marks
<p>▪ The <i>Workplace Relations (Work Choices) Amendment Act 2005</i> creates a national Industrial Relations (IR) system and reduces the role of the AIRC in setting minimum wages and applying the No Disadvantage Test to Certified Agreements. The legislation establishes the Australian Fair Pay Commission to set minimum wages and the Australian Fair Pay and Conditions Standard, setting out five minimum conditions of employment.</p> <p>These changes, and others, are designed to encourage more workers to enter into Australian Workplace Agreements and rely less on annual wage reviews of minimum wages. The IR changes allow employers to reduce wage costs and allocate labour more flexibly. This may help to boost labour productivity. However, for less skilled and lower paid workers, their wages are likely to increase more slowly as they lose penalty rates and other conditions and are reliant on the AFPC for wage increases.</p>	4 – 5
▪ Describes rather than analyses the main changes in the <i>Workplace Relations (Work Choices) Amendment Act 2005</i> and provides minimal analysis of the impact of the Act on labour productivity and wage levels.	2 – 3
▪ Provides a very brief description rather than an analysis of the <i>Workplace Relations (Work Choices) Amendment Act 2005</i> and does not analyse the potential impact on labour productivity and wage levels.	1 – 2

Question 23(a) Outcomes assessed: H1, H8

Criteria	Marks
▪ Correctly defines microeconomic reform and gives an appropriate Australian example in doing so. Microeconomic reform refers to government policies designed to raise productivity and efficiency in the economy such as labour market reform and the emphasis on workplace agreements and productivity in wage bargaining.	2
▪ Correctly defines microeconomic reform OR gives an appropriate example, but does not do both correctly.	1

Question 23 continues on the next page

Question 23 continued

Question 23(b) *Outcomes assessed: H1, H6*

Criteria	Marks
▪ Correctly discusses TWO benefits of successful microeconomic reform illustrated in the diagram, such as: <ul style="list-style-type: none">• An increase in aggregate supply leading to rising real GDP and a higher rate of economic growth; and• A lower price level in the economy, helping to reduce the rate of inflation and increase international competitiveness and living standards.	2
▪ Correctly discusses only ONE of the two benefits discussed above	1

Question 23(c) *Outcomes assessed: H1, H6*

Criteria	Marks
▪ Correctly outlines using an example of how microeconomic reform has achieved allocative efficiency (or where prices in markets reflect the marginal cost of production). An example would be tariff reform which has led to an improvement in the allocative efficiency of Australian manufacturing output.	2
▪ Outlines some understanding of the link between microeconomic reform and an improvement in allocative efficiency but does not give an Australian example.	1

Question 23(d)(i) *Outcomes assessed: H1, H6*

Criteria	Marks
▪ Explains that structural change can improve external balance by more resources being allocated to efficient and competitive export and import replacement industries. This will help to improve the trade balance and reduce the size of the current account deficit.	2
▪ Limited explanation of how structural change can lead to an improvement in external balance.	1

Question 23(d)(ii) *Outcomes assessed: H1, H6*

Criteria	Marks
▪ Explains that structural change, which involves the reallocation of resources including labour, can lead to increased inequality of income distribution. Workers in industries undergoing structural change may be made redundant or forced to re-train to acquire new skills demanded in industry. These workers may experience lower incomes whilst more skilled and highly demanded workers will receive higher incomes. This may result in an increase in income inequality.	2
▪ Limited explanation of how structural change in industry may lead to lower incomes for less skilled and demanded workers and higher incomes for highly skilled and demanded workers, resulting in an increase in income inequality.	1

Question 24(a) *Outcome assessed: H1*

Criteria	Marks
▪ Defines correctly the current account deficit as a situation where total debits (imports of goods, services, income and transfers) recorded in the balance of payments exceed total credits (exports of goods, services, income and transfers).	1

Question 24 continues on the next page

Question 24 continued

Question 24(b) *Outcomes assessed: H1, H4, H7*

Criteria	Marks
<ul style="list-style-type: none"> Identifies correctly TWO causes of Australia's current account deficit, such as: <ul style="list-style-type: none"> A narrow export base still reliant on agricultural and mining exports; Heavy reliance on imports unable to be financed by exports; A high net income deficit which reflects the servicing cost of foreign liabilities including debt and equity borrowings; A low level of national saving causing significant borrowing from overseas; The long term depreciation of the Australian dollar has led to higher debt servicing costs. 	2
<ul style="list-style-type: none"> Identifies correctly only ONE and not two factors causing Australia's current account deficit. 	1

Question 24(c) *Outcomes assessed: H1, H3, H4, H7, H8*

Criteria	Marks
<ul style="list-style-type: none"> Discusses correctly THREE effects of a persistent current account deficit on external stability such as: <ul style="list-style-type: none"> An increase in net foreign liabilities both as debt and equity borrowings; A high level of net foreign liabilities leads to higher servicing costs and a larger net income deficit in the current account. A persistent current account deficit financed by debt borrowings leads to a build-up in Australia's net foreign debt. A persistent current account deficit may lead to exchange rate depreciation and higher imported inflation. A persistent current account deficit and high net foreign debt may lead to a downgrading in Australia's international credit rating. 	2 – 3
<ul style="list-style-type: none"> Discusses correctly only ONE of the effects of a persistent current deficit on external stability. 	1

Question 24(d) *Outcomes assessed: H1, H5, H6, H8*

Criteria	Mark
<ul style="list-style-type: none"> Explains correctly TWO policies that have been used to reduce the level of Australia's current account deficit: <ul style="list-style-type: none"> Tightening of monetary policy to achieve an inflation target and boost international competitiveness as well as to control import spending when the current account deficit becomes unsustainable. Fiscal policy has a medium term strategy of achieving balanced budgets and surpluses when economic growth is positive. This helps to raise public and national saving as well as retire public debt. Microeconomic reforms including financial deregulation, labour market and tariff reform have been used to boost efficiency, productivity and international competitiveness. 	4
<ul style="list-style-type: none"> Explains correctly only ONE policy measure to reduce the level of Australia's current account deficit. 	2-3
<ul style="list-style-type: none"> Identifies rather than explains ONE policy measure to reduce the current account deficit. 	1

Question 25 Outcomes assessed: H1, H2, H3, H6, H8, H10

Criteria	Marks
<ul style="list-style-type: none"> ▪ Demonstrates a clear and concise understanding of macroeconomic policies used to address price stability and full employment. ▪ Provides extensive detail on the use of macroeconomic policies used to address price stability and full employment. This includes the use of inflation targeting for the conduct of monetary policy and the use of labour market programmes in the budget as part of fiscal policy. ▪ Integrates appropriate economic terms, relevant concepts, relationships and theory. ▪ Synthesises own information with the information provided to develop a sustained, logical and well-structured response. 	17 – 20
<ul style="list-style-type: none"> ▪ Demonstrates an understanding of macroeconomic policies used to address price stability and full employment such as monetary and fiscal policies. ▪ Provides some points for and/or against the use of macroeconomic policies used to address price stability and full employment. ▪ Consistently applies appropriate economic terms, relevant concepts, relationships and theory. ▪ Uses own information with the information provided to develop a logical and well-structured response. 	13 – 16
<ul style="list-style-type: none"> ▪ Provides characteristics and features of macroeconomic policies used to address price stability and full employment. ▪ Provides limited points for and/or against the use of macroeconomic policies used to address price stability and full employment. ▪ Applies appropriate economic terms, concepts and relationships. ▪ Uses own information with the information provided to develop a coherent response. 	9 – 12
<ul style="list-style-type: none"> ▪ Sketches in general terms some features of macroeconomic policies used to address price stability and full employment. ▪ Uses some appropriate economic terms, concepts and relationships. ▪ Uses information to develop a generalised response. 	5 – 8
<ul style="list-style-type: none"> ▪ Lists aspects of macroeconomic policies used to address price stability and full employment. ▪ Uses some economic terms and/or concepts. ▪ Presents a limited response. 	1 – 4

Essay plan

This task is designed to test essay writing (extended response) skills where the student is expected to apply knowledge, specific to the question based on stimulus material.

To receive a high mark a student must have incorporated the rubric skills in their answer.

Students should define the purpose of macroeconomic policies and the main instruments used to implement the policies.

Macroeconomic policies are designed to affect the level of aggregate demand. Students may include a diagram to illustrate shifts in aggregate demand.

The economic theory which underpins monetary and fiscal policy should be covered. This may include the Reserve Bank's use of market operations to influence the cash rate and the implementation of fiscal policy to address a deflationary or inflationary gap through the changes in the budget outcome.

Students may also cover the trade-off between inflation and employment (Phillips Curve).

Better students should be able to provide a background to inflation being the key target of monetary policy. The Reserve Bank of Australia has a target range of inflation of 2-3% per annum.

Question 25 continues on the next page

Question 25 continued

The implementation of monetary policy occurred in May 2006 and March 2005. On both occasions the RBA increased interest rates to reduce inflationary pressures.

Tightening monetary policy in 2006 by the RBA was due to domestic and international factors. Domestic factors included strong spending coupled with strong credit growth. International factors were mainly related to the growth in the world economy and strong commodity prices. The desired outcome of implementing monetary policy will be to reduce inflationary pressures in the Australian economy.

Over the course of the last ten years, monetary policy has been the main macroeconomic policy tool used to address the government's objective of price stability. The inflation target of 2% - 3% has generally been achieved, with the exception in 2001, when inflation peaked at nearly 6% due to the impact of the GST.

Over the past decade unemployment has fallen from 8% to a low of 4.9%. The implementation of appropriate macroeconomic policies has been used to address the economic objective of full employment. Fiscal policy initiatives to target unemployment have included an increase in apprenticeship funding (2000 Budget), additional funding for job training (2001) and Welfare to Work (2005). Expansionary monetary policy was implemented in 2001 when unemployment rose.

However, it has been the strong performance of the Australian economy which has had a positive influence on the level of unemployment.

Since the mid 1990's there have been significant changes in labour market policies with a move towards workplace agreements and individual contracts. Recent Industrial Relations reforms have accelerated the decentralisation of the labour market; however the impact of the reforms on the level of unemployment will not be evident for some time.

Better students should weigh up the effectiveness and the limitations of macroeconomic policies in addressing price stability and full employment. Some reference to the significance of microeconomic policies should also be included.

Question 26 *Outcomes assessed: H1, H2, H3, H4, H5, H6, H7, H8, H10*

Criteria	Marks
<ul style="list-style-type: none">Integrates appropriate economic terms, data, concepts, issues, relationships and theory.Develops a sustained, logical and well-structured answer that demonstrates the relationship between the role of monetary policy and the implementation of monetary policy.Demonstrates precise and extensive knowledge to draw out and relate the implications of monetary policy for economic management.Uses relevant economic data to support a contemporary and comprehensive discussion on the role and implementation of monetary policy as a tool of economic management.	17 – 20
<ul style="list-style-type: none">Consistently uses appropriate economic terms, data, concepts, issues, relationships and theory.Develops a logical, well-structured answer that demonstrates the relationship between the role of monetary policy and the implementation of monetary policy.Demonstrates correct and appropriate knowledge to relate the implications of monetary policy for economic management.Uses relevant economic data to support a logically well-developed discussion on the role and implementation of monetary policy as a tool of economic management.	13 – 16

Question 26 continues on the next page

Question 26 continued

Criteria	Marks
<ul style="list-style-type: none">▪ Uses economic terms, data, concepts, issues, relationships and theory.▪ Develops an answer which demonstrates the relationship between the role of monetary policy and the implementation of monetary policy.▪ Demonstrates correct and relevant knowledge of the implications of monetary policy for economic management.▪ Uses relevant economic data to provide a description of the role and implementation of monetary policy as a tool of economic management.	9 – 12
<ul style="list-style-type: none">▪ Uses some economic terms, data, concepts, issues, relationships and theory.▪ Develops an answer which refers to the relationship between the role of monetary policy and the implementation of monetary policy.▪ Demonstrates some knowledge of monetary policy.▪ Makes minimal use of economic data concerning the role of monetary policy as a tool of economic management.	5 – 8
<ul style="list-style-type: none">▪ Applies some appropriate terminology to communicate ideas.▪ Demonstrates a limited knowledge of the role of monetary policy.▪ Presents limited knowledge of economic management.▪ Provides little, if any economic data to support answer.	1 – 4

Essay plan

Students are expected to incorporate the rubric in presenting their extended response answer to the question on monetary policy. This would include reference to the extract on the Reserve Bank's decision to raise interest rates in May 2006 and the trend in the graph on inflation over the long run in Australia.

Monetary policy is one of the main instruments of macroeconomic policy used to keep the Australian economy on a sustainable growth path. Monetary policy refers to the government's use of changes in interest rates to affect the cost and availability of credit in the economy. Monetary policy is implemented by the federal government's monetary authority, the Reserve Bank of Australia.

The role assigned to monetary policy is that of counter cyclical stabilisation. This means that changes in the stance of monetary policy are used to smooth out fluctuations in output in the business cycle. Monetary policy is used pre-emptively to prevent problems such as excessive inflation during boom cycles from reducing competitiveness and living standards. Equally, monetary policy might be eased during a recession to prevent rising unemployment and lower output from reducing living standards.

Monetary policy is conducted by the Reserve Bank through the use of a CPI inflation target of 2% to 3% over the economic cycle. Achieving the inflation target is paramount to the Reserve Bank anchoring inflationary expectations in the economy and achieving the objectives of price stability, full employment and economic growth.

Monetary policy is implemented through the Reserve Bank's use of market operations in the cash market. The cash market exists for the settlement of debts between large banks and other institutions. Participants in the cash market hold Exchange Settlement Accounts (ESAs) with the Reserve Bank. The cost of borrowing funds overnight in the cash market is called the cash rate which is determined by the demand and supply of cash.

If the Reserve Bank wants to tighten the stance of monetary policy as it did in May 2006 (because of concerns over rising inflation) it would sell Commonwealth Government Securities (CGS) in the cash market, leading to a withdrawal of funds from banks' ESAs. This would lead to a shortage of cash and a rise in the cash rate. This process could be illustrated with a diagram of market operations or a diagram of changes in the cash rate in the cash market.

Question 26 continues on the next page

Question 26 continued

A rise in the cash rate will lead to other interest rates in the economy rising and will have a contractionary effect on spending, output and inflation. Students could go into more detail about the reasons for the rise in the cash rate in May 2006 and explain the transmission channels of a rise in interest rates, which eventually leads to a slowing down of economic activity.

If the Reserve Bank wants to ease the stance of monetary policy as it did in 2001 (because of weak domestic and global activity) it would buy Commonwealth Government Securities (CGS) in the cash market, leading to the deposit of funds into banks' ESAs. This would lead to a surplus of cash and a fall in the cash rate. This process could be illustrated with a diagram of market operations or a diagram of changes in the cash rate in the cash market.

As a tool of macroeconomic policy, monetary policy has been effective in sustaining higher average growth in the Australian economy and containing inflation, since inflation targeting was adopted in 1993. It can be seen from the graph that both CPI and underlying measures of inflation have generally trended down to between 2% and 3% between 1993 and 1996. Higher growth and lower inflation have also helped to increase the demand for labour, contributing to a market reduction in the unemployment rate to below 6%.

Whilst monetary policy has been an effective instrument of macroeconomic policy, it does act with a long and variable lag and has an indirect effect on economic activity, unlike fiscal policy. It is also reliant on microeconomic policies to address issues of efficiency and competition in particular markets such as the labour market.

Question 27 *Outcomes assessed: H1, H2, H3, H4, H5, H6, H7, H8, H10*

Criteria	Marks
<ul style="list-style-type: none">Integrates economic terms, concepts, issues, relationships and theory in an appropriate context.Uses knowledge to develop a logically-sequenced answer that highlights a clear understanding of the global economy's effects on Australia's external balance.Demonstrates factually precise and extensive knowledge of the CAD, the AUD and foreign debt in terms of the impact of the global economy on them.Uses relevant data to support a contemporary and comprehensive analysis that is specific to the major external factors that have affected the CAD, AUD, etc.	17 – 20
<ul style="list-style-type: none">Provides concise definitions of economic terms and applies concepts and relationships in an appropriate context.Uses knowledge to develop a logically-sequenced answer that highlights the main factors (external) which affect the CAD, AUD, etc.Demonstrates factually correct and appropriate knowledge of the CAD, the AUD, the foreign debt and global influences such as increased world growth in trade.Uses relevant data to support a logically developed argument concerning the global factors which influence our external balance.	13 – 16
<ul style="list-style-type: none">Provides clear definitions of economic terms and sound discussion of economic concepts and relationships.Uses knowledge to develop an answer concerning Australia's external balance and how global influences affect it.Demonstrates correct and usually relevant knowledge of global influences on Australia's external balance.Uses relevant data for descriptive rather than analytical reasoning concerning the external balance and how it is affected by global forces.	9 – 12
<ul style="list-style-type: none">Provides basic definitions of some economic terms, concepts and relationships.Uses generalised knowledge to develop an irrelevant or inappropriate answer concerning the features of external balance and global influences on it.Demonstrates minimal appropriate knowledge of the two aspects of the question.Makes minimal use of the information provided as well as other relevant data concerning Australia's external balance and the global economy.	5 – 8

Question 27 continues on the next page

Question 27 continued

Criteria	Marks
<ul style="list-style-type: none">▪ Utilises some appropriate terminology to communicate economic ideas.▪ Develops no logical sequence in answer.▪ Demonstrates a lack of knowledge about Australia's external balance or global influences on Australia's external sector.▪ Unable to discuss the factors influencing Australia's external sector in any detail.	1 – 4

Essay plan

The question requires a discussion of the impact of the global economy on Australia's external balance. Students should incorporate the rubric in presenting their extended response answer. Two terms which need to be defined include 'the global economy', and 'external balance'. The global economy refers to the group of countries which produce and trade goods and services, and contribute to Gross World Product. These countries consist of the advanced industrialised or developed economies; newly industrialised economies (NIEs); developing economies; and economies in transition. Much of the global economy is centred around trade and investment flows between the USA, the European Union, China, Japan and the NIE's in Asia.

External balance refers to three elements which influence Australia's balance of payments:

- The current account deficit
- The level of foreign liabilities and foreign debt
- Movements in the exchange rate.

The global economy has a large impact on Australia in terms of trade flows (exports and imports), capital flows (direct and portfolio investment), ideas and technology transfers. The process of globalisation, which has led to greater integration between the world's economies, has accelerated the extent to which Australia's external balance has been affected.

Australia has increased both its exports and imports as a percentage of GDP to over 20% since the 1990s. However, the growth in imports has tended to outstrip the growth in exports and Australia has a deficit in goods and services. There has been a large commodity price boom in recent years as world growth has tipped 5% and the demand for resources by countries such as China has led to higher commodity prices for Australian exporters and a higher terms of trade.

Since Australia usually records a deficit in goods and services, it borrows both debt and equity funds from overseas financial markets. The servicing cost of these funds in terms of dividends and interest repayments exceeds the inflow of income from Australian lending abroad. This has led to a large net income deficit in the current account and made the overall deficit larger still.

With rising current account deficits Australia has to borrow funds overseas because the level of national saving is too small to finance domestic investment. The stock of foreign liabilities and foreign debt in particular, are over 60% of GDP and impose a large servicing cost to Australian borrowers. Any rise in world interest rates or fall in export income leaves Australian vulnerable to a higher debt servicing ratio. Over 2002-06, confidence by foreign investors in Australian assets has been high, particularly in the shares of mining companies involved in the export resource boom. As such foreign investors have been willing to continue their lending to Australian businesses.

The global economy also influences the value and volatility of the Australian dollar. The Australian dollar is about the seventh most traded currency in the world, and is regarded as a commodity currency, rising when resource prices are high. However, with an ongoing current account deficit equivalent to 6% of GDP, the exchange rate is sometimes vulnerable to a loss of foreign investor confidence, as happened in 2000 when it fell in value to below US\$0.50. In the last two years, the Australian dollar has been relatively strong against the US dollar, trading in the range of US\$0.73 to US\$0.78. This was due to the weakness of the US dollar and the strength of global commodity prices.

Question 27 continues on the next page

Question 27 continued

The global economy has a major impact on Australia in terms of trade flows, capital flows and movements in the exchange rate. The Australian government attempts to achieve external balance through the use of monetary, fiscal and microeconomic policies. However the current account deficit is still very high at 6% of GDP and the level of foreign debt at over 60% of GDP, which results in large debt servicing costs and the potential for a loss of investor confidence in the Australian dollar.

Question 28 *Outcomes assessed: H1, H2, H4, H8, H10*

Criteria	Marks
<ul style="list-style-type: none">▪ Demonstrates a clear and concise understanding of the features of the global economy and the impact of globalisation on living standards and the quality of life.▪ Integrates appropriate economic terms, relevant concepts, relationships and theory.▪ Synthesises economic data and other information to develop a sustained, logical and well-structured response.	17 – 20
<ul style="list-style-type: none">▪ Demonstrates an understanding of the features of the global economy and the impact of globalisation on living standards and the quality of life.▪ Consistently applies appropriate economic terms, relevant concepts, relationships and theory.▪ Uses economic data and other information to develop a logical and well-structured response.	13 – 16
<ul style="list-style-type: none">▪ Provides characteristics and features of the global economy and the impact of globalisation on living standards and the quality of life.▪ Applies appropriate economic terms, concepts and relationships.▪ Uses some economic data and other information to develop a coherent response.	9 – 12
<ul style="list-style-type: none">▪ Sketches in general terms features of the global economy and the impact of globalisation on living standards and the quality of life.▪ Uses some appropriate economic terms, concepts and relationships.▪ Uses some economic information to develop a generalised response.	5 – 8
<ul style="list-style-type: none">▪ Lists limited features of the global economy and the impact of globalisation on living standards and the quality of life.▪ Uses some economic terms and/or concepts.▪ Presents a limited response.	1 – 4

Essay plan

Introduction

- Define global economy
- Define globalisation

Body

Discuss how the global economy consists of developing economies, newly industrialised countries, transition and high income economies.

These different economies contribute to the Gross World Product (GWP).

Statistics should be provided to show the breakdown of the different economies to GWP. For example:

- High income economies 54.6% (2004)
- Developing economies 38.3% (2004)
- Economies in transition 7.2% (2004)

The main characteristics of globalisation in relation to trade, finance and investment, technology and labour should be covered with reference to statistics, where possible.

Question 28 continues on the next page

Question 28 continued

Trade

There has been significant growth in world trade. Average growth between 2000-2004 has been 3.95% pa. Some developing and emerging economies have experienced even higher growth. The increase in the number of trade agreements has also underpinned the globalisation process.

Finance and Investment

The deregulation of many global financial markets has led to an increase in financial flows. Between 1993 and 2001 foreign direct investment doubled. Increasing trade in financial derivatives has been a characteristic of global financial markets.

Technology

The increased use of technology has led to more efficient business operations, and has supported an increase in global competition.

Labour

Movements in international labour markets have not experienced the same growth as other global markets. The movement of skilled workers who are highly paid contrasts with low skilled workers who migrate to work in some countries where working conditions are substandard.

The impact of globalisation on economic growth and the quality of life has been significant. Students can use quantitative and qualitative measures to illustrate the extent of the impact of globalisation.

Statistics to support the impact of economic growth:

- Highest GDP per capita in 2002 in \$US included Norway \$36,047, USA \$35,158 and Ireland \$32,960.
- Lowest GDP per capita in 2002 in \$US included Ethiopia \$724 and Tanzania \$557.

Quality of life indicators give a broader picture of the lifestyles of individuals. Good students should include a range of indicators across a range of countries or groups of countries – high human development countries, medium human development countries and low human development countries – to illustrate the impact of globalisation. Reference to the Human Development Index (HDI) would be appropriate here.

Globalisation has its supporters and opponents. For some countries globalisation has led to significant increases in income and living standards, for other countries the benefits have yet to be realised.

Contrasts in the quality of life between high, medium and low development countries could be discussed in terms of the following indicators:

- Per capita incomes
- Life expectancy
- Literacy
- Environmental sustainability
- Income distribution.

ECONOMICS MAPPING GRID

Question	Outcome(s) assessed	Question	Outcome(s) assessed
1	H1, H2, H4	21(a)	H1, H4
2	H1	21(b)	H1
3	H1, H11	21(c)	H1, H2
4	H1	21(d)	H7
5	H1, H5	22(a)	H1
6	H1, H6	22(b)	H1, H8
7	H1, H4	22(c)	H1, H8
8	H1, H4	22(d)	H1, H7
9	H1, H2, H11	23(a)	H1, H8
10	H1, H7	23(b)	H1, H6
11	H1, H8	23(c)	H1, H6
12	H1, H11	23(d)(i)	H1, H6
13	H1, H11	23(d)(ii)	H1, H6
14	H1, H2	24(a)	H1
15	H1, H4, H8	24(b)	H1, H4, H7
16	H1, H8	24(c)	H1, H3, H4, H7, H8
17	H1, H4, H8	24(d)	H1, H5, H6, H8
18	H1, H11	25	H1, H2, H3, H6, H8, H10
19	H1, H8	26	H1, H2, H3, H4, H5, H6, H7, H8, H10
20	H1, H6	27	H1, H2, H3, H4, H5, H6, H7, H8, H10
		28	H1, H2, H4, H8, H10

The Trial HSC examination, marking guidelines/suggested answers and 'mapping grid' have been produced to help prepare students for the HSC to the best of our ability.

Individual teachers/schools may alter parts of this product to suit their own requirement.